

COMMONWEALTH OF MASSACHUSETTS
DEPARTMENT OF TELECOMMUNICATIONS AND ENERGY

In re: Section 34A Tariff Proceeding

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D.T.E. – 03-58

Initial Brief of City of Cambridge

The City of Cambridge has been granted full intervenor status in this rate proceeding, has participated in the hearing on September 9, 2003 and submits the following brief in opposition to the tariff requested by the Company pursuant to MGL c 164 s 34A.

1) The alternative streetlight tariff contemplated by MGL c 164 s 34A is a limited tariff for a limited distribution service.

Section 34A authorizes municipalities to convert to

“ . . . an alternative tariff . . . providing for delivery service by the electric company of electric energy . . . over distribution facilities and wires owned by the electric company to lighting equipment owned or leased by the municipality, and further providing for the use by such municipality of the space on any pole, lamp post or other mounting surface previously used by the electric company for the mounting of the lighting equipment of the electric company.”

The statutory plan contemplates an alternative tariff for a very limited distribution service over the wires and distribution assets of the utility. The community assumes the responsibility for the ownership, operation, maintenance and care of the streetlights. As opposed to the “comprehensive streetlight service” that is included in the comprehensive streetlight tariff, the alternative tariff contemplated by this section of the Massachusetts General Laws is designed to compensate the utility for a limited *distribution service*. The role of the electric company is limited to the delivering electricity over the company wires and distribution facilities. The concept behind section 34A is that the utility disengages from the streetlight business, by selling its streetlight assets to the municipality, by transferring the ongoing responsibility for the operation and maintenance of those streetlights to the municipality, and retaining responsibility only for the delivery of power over distribution assets owned by the

utility to streetlight equipment owned by the municipality. The alternative tariff is designed to be a limited compensation for that limited *distribution* service.

The Company in this proceeding is seeking to recover cost in the proposed tariff for services that should not be included in a section 34A tariff. In the pages that follow, we will show that the tariff, as proposed:

- a) seeks cost recovery for inappropriately retained streetlight responsibility;
- b) seeks double cost recovery for some distribution activities;
- c) seeks a Customer Charge per light of the sort excluded from the section 34A rate approved in DTE 98-108;
- d) seeks a Customer Charge that represents an inappropriate subsidy of the private streetlight customers by the City;
- e) seeks cost recovery that is not based on meeting the compliance distribution revenue requirement in the underlying cost of service study and underlying rates;
- f) seeks cost recovery that is between two and four times the level of cost recovery allowed in DTE 98-108 and between three and five times the cost recovery allowed in DTE 98-69.

2) The Customer Charge per light proposed in this proceeding is neither just nor reasonable.

At page 13 of the hearing transcript the following exchange took place regarding the Customer Charge that was approved in DTE 98-108:

Q. "So if I understand correctly from your testimony, just to sum it up so far, the company requested . . . a customer charge per light, but the rate as approved was a customer charge per account?"

A. "That's correct."

In DTE 98-108 the department approved a section 34A tariff that included a Customer Charge of \$8.02 per month *per account*. The section 34A tariff approved in that proceeding did not include the Customer Charge *per light* that was requested by the Company. In this proceeding, NSTAR is simply trying again to recover a Customer Charge *per light* that the NSTAR was unable recover in DTE 98-108.

The Company has stated that the tariff as approved in DTE 98-108 was the result of a settlement and should not establish precedent in this case. The City maintains that there is only one streetlight conversion statute, and there should be only one set of

statutory principles guiding the department in its approval of section 34A tariffs. As the department stated in its ruling in DTE 98-108 at page 5:

“A settlement among the parties does not relieve the department of the *statutory obligation* to conclude its investigation with a finding that a just and reasonable outcome will result.”

And at page 6 the ruling states: “Accordingly, we find that the alternative tariff, rate S-2 is *consistent with the Act*.” (Emphasis added).

The Customer Charge of \$8.02 *per account* that was approved in DTE 98-108 would, if applied to the 5,332 municipal streetlights in the Cambridge S1 streetlight account, represent less than 2 cents per light per year. The Customer Charge per light proposed by the Company in this proceeding represents a minimum of \$17.76 per light per year. If a Customer Charge of 2 cents per light per year was just and reasonable in DTE 98-108, it is hard to imagine how a Customer Charge of \$17.76 per light per year can be deemed to be just and reasonable in this case. If a Customer Charge of 2 cents per light per year was found to be “consistent with the Act” in DTE 98-108, it is hard to imagine how a Customer Charge of \$17.76 per light per year can be deemed to be “consistent with the Act” in this proceeding.

3) In order to approve the requested Customer Charge per light in this section 34A proceeding, it would be incumbent on the Company to demonstrate that the requested Customer Charge is designed to recover costs that are different from the cost recovery initially requested but excluded from the section 34A rate approved in DTE 98-108.

In fact, the Company has admitted just the opposite. In response to Record Request City-2 the Company makes the following statement:

“The Customer Charge included in Boston Edison’s approved rate S-2 tariff was based on the same Federal Energy Regulatory Commission Accounts for Customer Account Expense (Accts. 901-905), Customer Service & Information (accts. 907-910) and Sales Expense (Accts. 911 – 916), as are used for Cambridge’s proposed rate S-2 tariff.”

The Company is admitting that the Customer Charge requested in this proceeding represents the same types of expenses as were included in the Customer Charge in DTE 98-108. The critical distinction of course is that the Customer Charge that was approved in DTE 98-108 represented one Customer Charge per account. The City of Cambridge has 5,332 streetlights in its major streetlight account. The Customer Charge per account that was approved in DTE 98-108, represents .001% of the Customer Charge proposed in this proceeding. This represents a level of cost recovery in the proposed section 34A tariff in this proceeding that is materially different from the level of cost recovery that was found to be just and reasonable and in accordance with the statute in DTE 98-108.

The Company has not attempted to explain the inconsistency between a) a Customer charge of \$8.02 *per account* per month (\$96.24 per account per year regardless of the number of streetlights in that account) and, b) Customer Charges ranging from 17.76 per light to \$50.64 per light (\$94,696 per year in Cambridge, using the \$17.76 unit price number). If we are dealing with the same categories of expenses in both of these section 34A proceedings, as the Company has now admitted, how can these dramatically different levels of cost recovery (\$96 per year for the principal streetlight account in Brookline and Chelsea, and \$94,696 per year for the principal streetlight account in Cambridge) both be deemed to be just and reasonable and both be deemed to be consistent with the Act?

The Company position can be summed up in two statements. First, in response to City Record Request 4, the Company states that the Customer Charges in both cases (BECO and Cambridge) relate to recovery of the same categories of costs. Second, Counsel for the Company claims that DTE 98-108 has no bearing on this case because it represented a settlement.

4) The Customer Charge requested by the Company in this proceeding is designed in part to recover costs for streetlight services that are not the responsibility of the Company following a section 34A streetlight purchase.

The FERC account numbers for categories of costs included in the Customer Charge, as described in the Company's response quoted above, are useful for comparing like costs between service territories of different utilities. But these FERC account numbers are not particularly useful in describing to the laymen the actual nature of the streetlight services that are included.

From page 25 to 35 of the hearing transcript, there is an extended discussion with the Company's witness about the nature and the makeup of the Customer Charge. At pages 30, 31 and 32 of the hearing transcript, just after establishing that the Customer Charge proposed in this proceeding, is designed roughly to recover the customer account expenses, customer service expenses and sales expenses itemized on page 3 of the Company work papers, multiplied by the fraction of 17.76 / 20.74, the following exchange takes place between Counsel for the City and the Company's witness:

Q. "... If a community wanted to add lights on four or five streets, what would the account rep or the salesman for - - in an S1 environment - the company do? ... What's the support provided by the company in an S1 environment? I am not sure if it is customer service information or sales expense. You can lump them together if you like. What kind of support is provided in an S1 environment when a community wants to buy more streetlights ..."

A. "I presume the City or Town has a primary contact with a representative from the company. The City or Town would state its request. The company would then,

would try to analyze what the City or Town required and determine whether the facilities on which the streetlight equipment were requested were adequate to support the streetlights; *whether the streetlight equipment is available; what streetlight equipment the City or Town wanted to install; what were the concerns about light intrusion for the neighbors or the residents where the streetlights were going to be installed.*”

There would have to be plans made for the installation and connection of the streetlights. There would have to be plans made for all of the issues that are required in sending out a crew to connect the streetlights and make them operational.

Q. “When the City of Cambridge purchases these lights and now owns them, and the City will have its own streetlight maintenance vendor, *do you plan to continue to provide the service you’ve just described in terms of lights that are appropriate, the lumen sizes, the energy efficiency, helping the community through the process of deciding the design? Do you plan to be involved in that area of support?*”

A. “I think in the area of support that you described, that would still be available to the customer.”

The Company will continue to be in the streetlight business in Cambridge, with respect to private streetlight customers for example, even after the City purchases and assumes responsibility for the municipal streetlights in Cambridge. According to the Company, the municipal streetlights represent 5,332 of the 6,252 streetlights shown on page 1 and 2 of Exhibit CAM-HCL-4. The Company will continue to have responsibility for 920 non-municipal streetlights, following the City purchase of the municipal lights. Even though the City will have, and will pay for its own experts in the area of streetlight design, (including type of fixture, energy efficiency color rendition, light intrusion in the neighborhood, lumen sizes, etc) and even though the City will have its own independent supplier of streetlight fixtures and parts, and even though the City will have its own provider of all other streetlight services, the Company wants to continue to charge the City for this redundant streetlight service that may still be available through the streetlight division of the Company.

The service of selecting and designing the color rendition of, light intrusion of, energy efficiency of, lumen size of, aesthetic look of a streetlight system may be an appropriate part of comprehensive *streetlight service* provided under the S1 tariff. It is not, however, an appropriate part of the limited *distribution service* over the Company distribution assets to city owned streetlights that is envisioned by MGL c 164 s 34A.

The alternative tariff envisioned by section 34A is a limited distribution service. It is distinguished from the comprehensive streetlight service included in the Company’s S1 tariff. Section 34A, clearly delineates the limited nature of this distribution

service. It is inappropriate for the Company to attempt to recover cost for redundant streetlight services, related to streetlight design, streetlight sales, and streetlight light intrusion as part its proposed section 34A distribution tariff.

The distribution tariffs approved in DTE 98-108 and DTE 98-69 are uniform charges per kwh for the limited distribution service contemplated by the Act. Distribution service is typically quantified in service per kwh. The critical parameters in providing distribution service relate to the capacity of the wires and the voltage at which power is delivered. This is distinguished from the comprehensive streetlight service embodied in the Company's S1 tariff. It is typical to recover cost for comprehensive streetlight service through charges per fixture, because it costs more to replace some fixtures than it does to replace others, and because some fixtures have to be replaced more often than others. The fact that the Company has proposed various charges per fixture in the proposed Section 34A tariff, is indicative of the fact that the Company has not made the transformation required by section 34A, to disengage from the streetlight business, and to focus on pricing and providing distribution service.

5) The Customer Charge requested by the Company in this proceeding is designed, in part, to recover the cost for services that are the subject of separate charges for such services under the Company's proposed license agreement.

At page 33 and 34 of the hearing transcript, as part of the continuing discussion regarding other components of the Customer Charge, after the City explained to the Company's witness that the City would plan to rely on its own streetlight service provider for streetlight services, the following additional exchange takes place regarding the Customer Charge:

A "... The Company is still involved in determining *the planning for the installation of those streetlights*, the *adequacy of the distribution system associated with the installation of those streetlights*, the *actual connection of those streetlights*." . . .

Q "You were describing a minute ago the adequacy of the installation of the streetlight, the connection of the streetlight, the adequacy of the pole that holds the streetlights. Let's limit ourselves to those types of activities. Those are things you would continue to be responsible for, correct?"

A "That's correct."

Q "And is that part of what this charge is for?"

A. "Yes."

Counsel for the Company then objected when the City attempted to inquire of the witness whether or not these “planning for the installation services, adequacy of the pole services and connection services” were the subject of separate fees under the Company’s proposed License Agreement. The Company representative claimed to have no knowledge of the draft License Agreement, which the Company had earlier provided to the City.

This objection resulted in a Record Request by the City’s attorney for the draft License Agreement proposed by the Company, which has now been submitted by the Company and marked as Attachment-RR-City-3. We wish to highlight the following provisions of this new exhibit:

1.5 Field Survey Work or Survey Work

“An on site and or office survey of the poles on which the City wishes to make an Attachment or relocate, materially alter, or replace an existing Attachment, in order to determine if the pole can safely accommodate the required Attachment, and to provide the basis for estimating the cost of this work.”

1.9 Make-Ready Work

“The work required (rearrangement and or transfer of existing facilities on a pole, replacement of pole or any other changes) to accommodate the City’s facilities on Licensor’s pole, where the City proposes to relocate, materially alter, or replace Attachments owned at the time of execution of this License Agreement, or install Attachments purchased after the date of execution of this License Agreement.”

Section 3 of the Agreement requires the City to pay the fees described in Appendix 1.

Section 8.6 requires the City to pay for Make Ready Work

Appendix 1 describes payments to be made by the City to the Company including the following:

“All charges for field survey, inspections, removal of licensee’s facilities from licensor’s poles and any other work performed for Licensee shall be based upon the full cost and expenses to Licensor of such work or for having such work performed . . . plus . . . an amount of ten 10% of licensor’s full cost”

Section 21.3 of the License Agreement incorporates by reference the Purchase and Sale agreement, the terms of which control in the event of a conflict with the License Agreement. However the Purchase and Sale Agreement, with its controlling provisions, was not included in the Company’s response. Section 12 of that missing Purchase and Sale agreement provides as follows:

12. “The Parties agree that the making and breaking of electrical connections to the Company’s electric system shall only be performed by the Company’s employees or its contractors. *The City accordingly expressly agrees that it will pay, as additional charges under this Agreement, all reasonable costs incurred by the Company in connection with any work performed to make or break electrical connections to the Company’s electric system resulting from the City’s operation or maintenance of its municipal street light system.*”

In the context of providing comprehensive streetlight service under the S1 tariff there is no License Agreement. The Company owns the poles and the streetlights. So it is reasonable for the luminaire charge of the S1 tariff to recover the cost of:

“ . . . the planning for the installation of those streetlights, the adequacy of the distribution system associated with the installation of those streetlights, the actual connection of those streetlights”

Company’s Director of Regulatory Policy and Rates
Page 33 Hearing Transcript

It is not reasonable to un-bundle these charges from the S1 tariff and then include them in the Customer Charge of the Company’s proposed section 34A tariff, while the Company is simultaneously attempting to recover the same costs through its proposed License Agreement. And it is not reasonable for the people developing the section 34 tariff, which tariff by its express terms incorporates the proposed License Agreement, to claim ignorance of the charges included in that proposed License Agreement, or in the alternative, to develop a tariff including certain charges without bothering to determine whether or not those same charges are included in the License Agreement.

In the context of a Section 34A streetlight conversion, the charges for the following services are appropriately included as separate charges in the referenced Agreements.

“An on site and or office survey of the poles . . . in order to determine if the pole can safely accommodate the required Attachment” (License Agreement Section 1.5)

“The work required (rearrangement and or transfer of existing facilities on a pole, replacement of pole or any other changes) to accommodate the City’s facilities on Licensor’s pole”
(License Agreement Section 1.9)

“ . . . all reasonable costs incurred by the Company in connection with any work performed to make or break electrical connections”
(Purchase and Sale Agreement Section 12)

“All charges for . . . any other work performed for licensee. . .”
(License Agreement, Appendix 1)

Article 4 of the License Agreement requires the issuance of a purchase order by the City in advance of any performance by the utility of the Field Survey or Make Ready Work. This approach enables the party responsible for the operation and maintenance of the streetlight system to have control over its budget. The utility doesn't perform the work until the City issues the purchase order. It is appropriate therefore that these services are paid for as separate charges under the License Agreement, if and when the City requests these services, and at a cost that is known before the City decides to incur that cost.

In describing the services included within the Customer Charge proposed in this proceeding, the Company's witness describes the services regarding the adequacy of the pole, the planning for the installation, and the connection of the streetlights to the Company's secondary. All of these services are the subject of separate charges under the proposed License Agreement (and the Purchase and Sale agreement which is incorporated by reference into the License Agreement).

These separate charges for the survey to determine the adequacy of the pole, planning for and making any required changes to the pole and the streetlight connection services, are dealt with in the same fashion in the license agreements that have now been executed by NSTAR in Brookline, Boston and Chelsea. These separate charges are appropriately included in the proposed License Agreement. These separate charges should not be the basis for a Customer Charge in the section 34A tariff.

6) The Customer Charge as proposed requires the City to subsidize the private streetlight customers.

The City's purchase of 5,332 municipal streetlights represents a purchase of 85% of the streetlights in the service territory. The Company has not provided any evidence or testimony regarding a reduction in administrative costs that might be expected as a result of this dramatic reduction in streetlight responsibility. Instead the Company has proposed an excessive customer charge per light, which has the effect of imposing 85% of the pre-existing "customer charge embedded within the S1 luminaire charge" on the City.

The private streetlight customer will continue to rely on the Company for streetlight energy efficiency services, streetlight lumen sizes, streetlight color rendition, and streetlight design. The City will not. It is inappropriate to include a charge for these services in a section 34A Customer Charge.

As part of the S1 luminaire charge, the private streetlight customer will continue to pay for surveys to determine the adequacy of the pole, planning for the streetlight installation, connection of the streetlight to the secondary. The City should not pay for these services as part of section 34A Customer Charge. The City should pay for these separate charges if and when they are requested by the City, pursuant to the separate charges already included in the Company's proposed License Agreement. It

is inappropriate to charge for these services twice, once in the License Agreement, where they belong, and once in the section 34A tariff where they do not belong.

The only service described by the Company's witness, embedded within the proposed section 34A Customer Charge, that should be appropriately included in the section 34A tariff, is the billing service. But the City should not pay any more than any other private customer pays for receiving 12 bills in one year.

The Customer Charge payable by the City should be a fraction of, not orders of magnitude more than, the Customer Charge payable by the private streetlight customers. The portion of the Customer Charge payable by the City should relate to billing. It should be distinguished from the Customer Charge embedded within the private customer's \$1 luminaire charge, because any Customer Charge payable by the City should not include any of the service components that are separately provided by the City's own streetlight service provider, or that are separately paid for by the City through the License Agreement.

Under the Company's proposal, the City pays the \$17.76 Customer Charge for each of 5,332 streetlights. The Customer Charge payable by the City is 5,332 times larger than the typical Customer Charge payable by a private streetlight customer that has one streetlight. Since the 5,332 City streetlights represent 85% of the 6,252 streetlights in Cambridge (see Exhibit Cam-HCI-4), this means that under the Company's proposal, the City pays for 85% of the services represented by the Customer Charge. The other 169 customers that are identified in exhibit CAM-DTE 1-1(d) page 39-4 do use, and will continue to use, the streetlight design services of the Company, and streetlight sales services of the Company. The private streetlight customers do not pay for the pole survey, make ready work, and streetlight connection services of the Company through a separate License Agreement. These private streetlight customers should pay a much higher Customer Charge than the City. Instead, 99% of the customers, that use all of the services embedded in the proposed Customer Charge as described by the Company, pay only 15% of the costs associated with those services.

7) Any Customer Charge payable by the City should only relate to services incidental to distribution service that are provided and not separately paid for through the License Agreement. It should not include streetlight services as distinguished from distributions services.

In DTE 1-2(d) at page 3, the Company provides the following figures from its work papers:

	Streetlighting \$/St. light
1. Customer accounts expense	\$.07
2. Customer service & Info. Exp.	\$8.28
3. Sales expense	\$3.84
4. Total Customer expense	\$12.19

5. With A&G Loader	
6. Working Capital	
7. Revenue Requirement	
8. Total	\$20.74

On pages 25 through 30 of the transcript, the discussion is focused on the relationship between the \$17.76 Customer Charge included in the Company's proposed tariff and the \$20.74 in Customer Expenses itemized at page 7.3 of the Company's work papers (referenced above). At page 29 of the transcript, the Company's witness states:

"So I would say that a proportional piece of the items you see on work paper 7.3 go into the makeup of the \$17.76."

The following is a duplication of the numbers from the Company's work paper 7.3, proportionally adjusted in the fashion suggested by the Company's witness to arrive at the makeup of the components of the proposed \$17.76 customer charge. (We have simplified steps 5, 6 and 7 by calculating a single factor of 1.7013 which equals the \$20.74 from Line 8 of the Company's work papers divided by the \$12.19 from Line 4 of the Company's work papers):

	\$/St. light			
1. Customer accounts expense	\$.07	x .85631	= .059	x 1.7013 = .102
2. Customer service & Info. Exp.	\$8.28	x .85631	= 7.090	x 1.7013 = 12.063
3. Sales expense	\$3.84	x .85631	= 3.288	x 1.7013 = 5.594
4. Total Customer expense	\$12.19	x .85631	= 10.438	x 1.7013 = 17.76
5. With A&G Loader				
6. Working Capital				
7. Revenue Requirement				
8.Total	Line 4 x 1.7013 =	\$20.74	(Line 8 x .85631 =	\$17.76)

From the above table, it appears that the private streetlight customer with a single streetlight is paying some portion of the customer accounts expense, or some portion of 10 cents per light per year for the service of receiving 12 bills in a year. Since this represents less than the postage on 12 streetlight bills, this charge must represent an under collection for billing services from that private streetlight customer with one streetlight. The City on the other hand pays \$533 per year (10 cents per light multiplied by 5,332 lights) for customer account expenses. This would appear to be an over collection from the City for the service of receiving 12 bills per year. The Company's proposal calls for the City to pay approximately 5,000 times more than the private customer, with one streetlight, for the same billing service.

Examining the entire Customer Charge, including the sales expense and the customer service expense, under the Company's proposal, the private streetlight customer with one streetlight pays 17.76 per year for the services included in the customer charge embedded in his S1 luminaire charge. The City pays \$94,678 for the same services (\$17.76 x 5,332 streetlights, *if you ignore the higher charge for flood lights*). The Company has offered no meaningful explanation for the equity of this proposition.

The testimony of the Company's witness indicates that there are redundant utility street light services included within the Customer Charge that are provided by the City's own streetlight service provider. The testimony of the Company's witness, coupled with the quoted language of the Company's proposed License Agreement indicates that there are redundant utility charges included within the Customer Charge that are separately charged on an "as needed basis" through the License Agreement.

The Company's witness was introduced as the Director of Regulatory Policy and Rates, and as the person directly responsible for the "formulation of the Company's proposed rate S2". Presumably this witness should know what the components of the Customer Charge are. He testified that the following services components were included within that Customer Charge on the following pages of the hearing transcript as indicated:

- | | |
|--|----------------------|
| 1) Streetlight styles, design | p31 and 32 |
| 2) Streetlight lumen sizes | p32 |
| 3) Streetlight light intrusion advice | p31 |
| 4) Streetlight location | p31 |
| 5) Streetlight availability from the Company | p31 |
| 6) Streetlight energy efficiency | p32 and p 33 |
| 7) Streetlight connection services | p32 and p33 and p 34 |
| 8) Streetlight service to determine adequacy of the pole | p31 and p33 and p 34 |

The first six of the items listed by the Company's witness in an attempt to justify the proposed Customer Charge, will be provided by the City's own streetlight service provider and are inappropriate to be included in a section 34A *distribution* tariff. The last two services listed by the Company witness, are separately paid for through the License Agreement if and when the City elects to use such services, after knowing the cost thereof, and *should not* be paid for a second time through a Customer Charge.

After 10 pages of testimony and discussion in the transcript, the only charge that appears to be appropriately included within the Customer Charge payable by the City is the billing charge. The service of billing is more appropriately billed per account than per light. Presumably it costs just as much to send a bill for a small number of lights as it does to send a similar bill for a large number of lights. A Customer Charge per account of the sort that was approved in DTE 98-108 would more than compensate for that billing service.

8) The Company has not supported its proposed tariff as providing the revenue requirement allowed by the cost of service study.

At page 54 of the hearing transcript, the Company's witness is answering questions from the bench regarding the revenue requirements that are designed to be met through the Company's proposed section 34A tariff. The witness is explaining that the company's proposal is based on some amount of delivery revenue, but it is not based on the "revenue requirement":

Q. And by delivery revenue, I assume you mean revenue requirement?

A. I'm referring to the delivery service charges that are part of the proposed rate. Revenue requirement usually has a broader meaning than just delivery services
....

Q. So the delivery requirement, delivery revenue is different from revenue requirement?

A. Yes.

The section 34A distribution rates approved by the department in DTE 98-108 and DTE 98-69 were both based on recovering the compliance distribution revenue requirements included in the underlying cost of service studies and /or underlying rates. In DTE 98-69 the cost of service study was introduced as an exhibit. In DTE 98-108 the cost of service compliance distribution revenue requirement was implicit in the ruling, because the pre-existing *distribution rate* in the pre-existing S2 Tariff was approved, which in turn was based on the pre-existing compliance distribution revenue requirement. In this proceeding, the Company is proposing to depart from the practice in these earlier section 34A proceedings of basing their proposed section 34A tariff on the compliance distribution revenue requirement in the underlying cost of service studies.

In Information Request DTE-1-1 the department asked the Company whether the proposed section 34A rate was consistent with the department's previous ruling that established the MECO S5 rate. The Company response was less than clear. We note however the following discrepancies between the approach used in DTE 98-69 (the ruling approving the MECO S-5 rate) and Company's proposed tariff in this proceeding.

In the MECO case the tariff was based on the revenue requirement. As stated by the Company's witness at page 55 of the transcript:

"... In 00-37 (actual reference should be DTE 98-69) the revenue requirement associated with unbundling the streetlight class cost of service was totally done on an embedded basis, embedded cost of service basis. So in a sense Mass Electric started from the bottom and worked up. When I say the bottom, it started from a revenue requirement and worked up to a rate."

In this case, by direct testimony of the Company's witness, the tariff is not based on any revenue requirement.

In the MECO case the S5 tariff was based on the *compliance revenue requirement* of \$18,731,594, not the *total revenue sought* of 25.5 million. (DTE 98-69 p 12) In Exhibit DTE 1-1(b) the Company itemizes its request for \$641,120 of delivery revenue, which the Company has explained is not the distribution revenue requirement. Exhibit DTE 1-1 (c) purports to explain the revenue requirement. But the only portion of this exhibit dealing with the compliance revenue requirement is on page 1 of that exhibit on line 4:

At page 1 of DTE1-1 (c) the Company provides the following figures:

Line 4 1,685,109 (Revenue Sought) and 1,369,838 (compliance revenue)

The implication appears to be that 81% of the streetlight revenue sought was actually allowed as compliance revenue.

The only portion of this Company Exhibit that relates directly to distribution revenue is shown in Lines 32 through 36. The numbers on these lines, which are reproduced below, are represented as subcategories of the \$1,685,109 of total revenue sought, (not as subcategories of the 1,389,838 in compliance revenue) as follows:

Total Lighting	
Distribution	
Acct 580	32,798
Acct 585	106,924
Acct 590	18,517
Acct 596	99,649

The bottom two numbers in the above column relate to streetlight maintenance expense. (See the Company's Exhibit CAM-DTE-1-1(d) p17-4 line 22 and p18-4 line 6).

The first two numbers in the above column represent \$139,722 in distribution costs, which amount specifically excludes the streetlight maintenance cost in the bottom two numbers. The Company has indicated in Exhibit CAM-DTE-1-1(d) p39-4 in line 26 that the total service in Cambridge at the time of the cost of service study represented 6,232,495 kwh of streetlight service. If you spread the \$139,722 in distribution revenue sought, over these 6,232,495 kwh, of distribution service, you arrive at a cost of 2.24 cents per kwh. It is worth noting that Company has also represented in Exhibit CAM-HCL-4 on page 2, column 4 on the last line, that the total kilowatt hours of streetlight service today has declined to 6,199,904 kilowatt hours of service.

All of the Company's numbers itemized at the bottom of DTE 1-1 (c) are based on *revenue sought* as opposed to compliance revenue. If you arbitrarily applied the 81% factor implicit from line four of the same exhibit, this would suggest a distribution revenue requirement of \$139,722 times 81% or \$113,174 or 1.815 cents per kwh.

In Exhibit CAM-DTE 1-1 the Company claims that their methodology is consistent with, and in fact produces delivery revenues that are less than the delivery revenues that would be produced if the Company followed the procedure used in approving the MECO S 5 rate. The Company was unable to identify the dollar amount of the distribution revenue requirement at the hearing. We can find no reference to a distribution revenue requirement anywhere in the several hundred pages of company exhibits. If the Company is unable to identify the distribution revenue requirement in the underlying S1 tariff, on what basis can the Company claim that the procedure used establishes a rate that is less than the rate that would be established following the DTE 98-69 procedure. According to the Company, the DTE 98-69 procedure is based on “start(ing) from a revenue requirement and work(ing) up to a rate.”

If the MECO S-5 distribution rate of 1.68 cents per kwh were to be applied to the 484 kwh used by the sodium vapor 9500 lumen streetlight (See Ex CAM City-1-2), the resulting price per light would be \$8.13 per year for that 9500 lumen fixture. This compares to the Company’s proposed charges of 17.76 per fixture plus .784 cents per kwh, which if combined represent \$21.55 per year for the same 9500 lumen light that uses 484 kwh per year. The Company’s proposed “distribution charge plus Customer Charge” is almost three times the price of the MECO S5 distribution charge.

We are confused by the Company’s claim that their proposed section 34A tariff, that is not based on a distribution revenue requirement, in a proceeding in which the Company can not establish what the distribution revenue requirement might be, is lower than the rate that would be established, if it were to be based on the distribution revenue requirement. We note further, that depending on the number of municipal lights in Cambridge that the Company may classify as floodlights, the section 34A tariff proposed in this proceeding can be as high as \$44 per light per year, or more than 5 times the S5 rate approved in DTE 98-69.

One final observation is that the distribution rate approved in DTE 98-69 represents less than 12% of the underlying MECO S1 luminaire charge for the MECO’s 9600 lumen sodium vapor streetlight. By comparison, the Company’s proposed S2 rate in this proceeding represents 24% of the Company’s underlying S1 luminaire charge for the NSTAR 9500 lumen sodium vapor streetlight. This comparison assumes the \$21.55 per light year charge, not the higher proposed charges associated with flood light charges.

9) Notwithstanding the Company’s offer to propose one uniform rate that is applicable to all the lights, they have not done so.

In response to Information Request City 1-2, the Company stated as follows:

“Please note that, if Cambridge Electric Light Company (the “Company”) were to average the per unit costs for all of the Company’s street lighting fixtures in the same

manner as reflected above, the resulting luminaire costs would be 2.69 cents per kwh and the transmission cost would be 1.851 cents per kwh,

At the hearing, in response to Record Request City 4, the Company offered to provide a re-formatted rate applicable to all lights, formatted in the same manner as the BECO S2 rate, except that the Customer Charge would be per fixture, as opposed to per account. Instead, they have provided a set of three rates, applicable to different categories of lights. Without knowing the details regarding the number of municipal lights that NSTAR might classify as floodlights, which the Company has not provided on the record in this case, it is impossible for the City to calculate the dollar impact of the rate the Company is proposing. If the Company considers all of the 27,500 lumen, 50,000 lumen, and 63,000 lumen municipal lights in Cambridge to be floodlights, the cost of the Company's proposal is approximately double the 21.55 per light per year value shown in the table above.

A uniform distribution rate per kwh, of the sort approved in DTE 98-108 and DTE 98-69, is an appropriate format for the section 34A *distribution rate*. Charges per fixture, that vary by fixture, may be appropriate when pricing *streetlight service*, but they add nothing but confusion, when pricing the *distribution service* contemplated by section 34A. One advantage of a distribution rate per kwh, is that it works over time as the number of kwh delivered changes. The fundamental service inherent in a distribution service is the delivery of kilowatt hours. It is reasonable for the cost of that service to change as the number of kilowatt hours changes. Even though the distribution rate per kwh may be established in the compliance distribution revenue requirement in an historical rate case, the rate continues to be updated as the kilowatt hours of distribution service may change.

The 2.69 cents per kwh suggested in the Company's Exhibit CAM-CITY-1-2 is the right concept, except the price is too high.

Dollar values aside, rate clarity is important. The per fixture tariff proposed, with its different charges for different categories of lights, makes it impossible to know with certainty the dollar impact to Cambridge of the Company's proposal. We are certain it is much more expensive than the rate approved in earlier rate cases. What is unclear is whether the proposal is approximately twice the value of those earlier rates or five times the value of those earlier rates.

Conclusions

- 1) The proposed tariff does not comply with the statute because it does not represent a distribution tariff that is limited to a distribution service. It is a hybrid tariff that includes some redundant streetlight services that will duplicate the streetlight services to be provided by the City's streetlight service provider.
- 2) The proposed tariff is not just and reasonable because it charges twice for the same services. Through the Customer Charge the Company attempts to recover costs for pole survey costs, changes to the poles to accommodate streetlights, and

the service of providing connections to the secondary. Through Paragraph A of the General Conditions the tariff incorporates by reference the Company's proposed License Agreement, which includes specific charges for the same services.

- 3) The Customer Charge per light as proposed is inconsistent with the approach taken to Customer Charges in DTE 98-108. A Customer Charge per account may be appropriate. A Customer Charge per light is not. A Customer Charge per account is an appropriate mechanism for allocating billing services.
- 4) The Customer Charge as proposed represents a significant subsidy of private streetlight customers by the City. The private streetlight customers receive all of the services listed by the Company's witness as components of the service embodied in the Customer Charge. The only service embodied in the Customer Charge, as listed by the Company's witness at the hearing, is the billing service. Given the Customer Charge per light structure, the City pays 85% of the Customer Charges embedded in the existing luminaire charges, simply because the City uses 85% of the lights.
- 5) The proposed tariff does not comply with the approach used in either DTE 98-69 or DTE 98-108 because it is not based on meeting the compliance distribution revenue requirement in the underlying cost of service study, or the underlying rates.
- 6) The proposed tariff is unreasonable because it is unclear. Without the information regarding the number of municipal floodlights in Cambridge it is impossible to estimate the dollar impact of the tariff on the only customer eligible for the tariff.
- 7) The proposed tariff is unjust and unreasonable because it proposes a level of cost recovery that is between two and three times the level of cost recovery allowed in DTE 98-108 and DTE 98-69 respectively, assuming there are no municipal floodlights. It may represent a level of cost recovery that is five times the cost recovery allowed in DTE 98-69, assuming the maximum number of municipal floodlights.

Relief Sought

- 1) The tariff as proposed should be rejected.
- 2) A Customer Charge, if approved at all, should be per account, not per light, should relate to cost recovery for the billing service, and should approximate the level of cost recovery from municipal customers that was approved in the Customer Charge per account in DTE 98-108.
- 3) A single distribution charge per kwh applicable to all municipal streetlights and municipal floodlights should be established in a compliance filing.

- 4) The single distribution charge per kwh should be based on the compliance distribution revenue requirement supported by the underlying cost of service study. Based on the information provided on the record in this proceeding, that single distribution charge per kwh should be somewhere between the distribution rates approved in DTE 98-69 and DTE 98-108.

Respectfully Submitted

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